

Terraco Gold Announces Acquisition of Royalty Option on Spring Valley Gold Deposit and a US\$5,000,000 Cash Infusion

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VANCOUVER, Dec. 21, 2011 - [Terraco Gold Corp.](#) (TSX VENTURE: TEN) ("Terraco" or the "Company") is pleased to announce that it has entered into a tripartite transaction whereby Terraco will have the option to acquire an interest in a net smelter returns royalty ("NSR") (described below) on part of the Spring Valley Gold Project ("Spring Valley Project"), located in Pershing County, Nevada. The Spring Valley Project is a joint venture between Barrick Gold Corp. and Midway Gold Corp., where Barrick has the right to earn a 60% interest in the Spring Valley Project by completing work expenditures totaling US\$30,000,000 before December 31, 2013. Terraco's 100%-owned Moonlight Project encompasses over 5,000 acres and is located along trend to the north of and adjoins the Spring Valley Project.

Transaction Terms

Under the terms of the transaction between Terraco, the current royalty owner ("Royalty Vendor"), and a third party investor ("Strategic Investor"), the Strategic Investor will acquire 5/7ths of the sliding scale NSR (the "Purchased NSR Interest") (see Note 1) held by the Royalty Vendor. The Purchased NSR Interest represents 5% of net smelter returns when gold prices exceed US\$700 per ounce and on production greater than 500,000 ounces of gold from the claims covered by the Royalty Vendor's NSR. The Strategic Investor will pay US\$20,000,000 to the Royalty Vendor and US\$5,000,000 to Terraco. As part of the transaction, Terraco will retain an option to acquire, for US\$12,500,000, one-half of the Purchased NSR Interest from the Strategic Investor for a period of 5 years from the closing of this transaction or within 1 year of a change of control of Terraco. Terraco will also issue 4,000,000 shares to the Royalty Vendor for a right of first refusal on all or part of a separate 1% area of interest royalty owned by the Royalty Vendor, also located on the Spring Valley Project.

As partial consideration for the US\$5,000,000 cash infusion, Terraco has issued to the Strategic Investor a 1% net smelter return royalty on its Moonlight Project and a 0.5% net smelter return royalty (and up to a 1.0% net smelter return royalty in certain circumstances) on its Almaden Gold Project in Idaho ("Almaden Project"). The Strategic Investor will also be issued 1,000,000 warrants with an exercise price of CAN\$0.35 per share for a period of 5 years, subject to early expiry at the discretion of Terraco if Terraco's shares trade at CAN\$0.70 or higher for 20 consecutive trading days.

The Strategic Investor specializes in funding the advancement of mining projects. Terraco and the Strategic Investor have structured a right of first refusal to finance Terraco's Almaden Project and an off-take for 30% of the minerals produced from the Almaden Project during the life of the mine.

Terraco intends to use the US\$5,000,000 proceeds to fund continued exploration programs at both its Almaden and Moonlight Projects.

"This transaction affords Terraco the right to acquire a significant royalty on a Barrick-led gold project neighbouring our 100% owned Moonlight Project and gives Terraco the ability to fully fund its 2012 exploration activities without the need for additional shareholder dilution", stated Todd Hilditch, President and CEO of Terraco. "Furthermore, this transaction increases Terraco's presence in the growing Humboldt Range where Coeur D'Alene operates the Rochester mine and Barrick has spent nearly US\$16,000,000 towards earning a 60% interest in Spring Valley Project", he added.

Note 1: NSR Sliding Scale

Gold Price (per oz)		NSR		Purchased	
NSR Royalty		Terraco			
Royalty Option					
\$300 - \$399	3	%	2.14	%	
\$400 - \$499	4	%	2.86	%	
\$500 - \$599	5	%	3.58	%	
\$600 - \$699	6	%	4.28	%	
\$700+	7	%	5.00	%	2.50

The transaction is subject to the approval of the TSX Venture Exchange.

Terraco is a mineral exploration company listed on the TSX Venture Exchange under the symbol "TEN". Please visit Terraco's website at www.terracogold.com for additional information.

Forward-Looking Statements

This news release contains forward-looking statements. Although Terraco believes that the expectations reflected in these forward-looking statements are reasonable, undue reliance should not be placed on them because Terraco can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature, they involve inherent risks and uncertainties. Additional information on these and other factors that could affect Terraco's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com).

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

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